

# **Congressional Budget Office Update to Budget and Economic Outlook**

**August 2001**

**House Budget Committee Democratic Staff**

# BUSH BUDGET IS NON-STARTER — SPENDS SOCIAL SECURITY SURPLUS THROUGH 2007

(CBO August assumptions)

CBO BASELINE	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	'02-'11
Unified Surplus	153	176	172	201	244	289	340	389	450	507	628	3,396
Social Security Surplus	162	174	190	204	224	242	262	283	303	323	345	2,550
Medicare Surplus	29	38	41	42	42	45	43	43	42	39	31	404
"Available" Surplus	-38	-36	-59	-45	-22	2	35	63	105	145	252	440
Medicare Surplus Spent	<b>-29</b>	<b>-36</b>	<b>-41</b>	<b>-42</b>	<b>-22</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-141</b>
Social Security Surplus Spent	<b>-9</b>	<b>0</b>	<b>-18</b>	<b>-3</b>	<b>0</b>	<b>-21</b>						
BUSH BUDGET	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	'02-'11
Bush MSR Tax Cuts	0	1	1	6	14	20	25	29	32	48	138	314
Bush Medicare Rx	0	0	0	14	20	21	22	25	27	29	32	190
Bush Defense Increase	0	10	13	23	19	22	22	22	22	22	22	197
Other Bush MSR Spending Changes	4	0	-4	-15	-8	-9	-2	-5	-5	-1	-7	-55
Resulting Net Interest	0	0	1	2	4	7	11	15	20	26	35	122
"Available" Surplus – Bush Budget	-42	-47	-70	-76	-70	-60	-43	-24	10	21	33	-327
Medicare Surplus Spent	<b>-29</b>	<b>-38</b>	<b>-41</b>	<b>-42</b>	<b>-42</b>	<b>-45</b>	<b>-43</b>	<b>-24</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-275</b>
Social Security Surplus Spent	<b>-13</b>	<b>-9</b>	<b>-29</b>	<b>-34</b>	<b>-28</b>	<b>-15</b>	<b>-0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-115</b>
BUSH BUDGET OMISSIONS	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	'02-'11
Further Bush Defense Request	0	0	4	9	13	17	25	27	28	27	27	177
Average Historical Disasters	N.A.	2	4	5	6	6	6	6	6	7	7	55
Medicare Rx (Budget Resolution)	0	0	0	-4	1	7	17	19	20	23	26	110
New Farm Act	0	7	8	8	8	7	7	6	6	7	7	74
Alternative Minimum Tax	0	0	0	0	2	12	22	30	39	48	54	208
Tax Extenders	0	1	4	4	5	7	8	9	11	13	13	75
Resulting Net Interest	0	0	1	2	4	7	11	16	23	31	40	134
Remaining "Available" Surplus	-42	-58	-91	-100	-110	-123	-139	-138	-124	-135	-141	-1,159
Medicare Surplus Spent	<b>-29</b>	<b>-38</b>	<b>-41</b>	<b>-42</b>	<b>-42</b>	<b>-45</b>	<b>-43</b>	<b>-43</b>	<b>-42</b>	<b>-39</b>	<b>-31</b>	<b>-406</b>
Social Security Surplus Spent	<b>-13</b>	<b>-20</b>	<b>-50</b>	<b>-58</b>	<b>-68</b>	<b>-78</b>	<b>-96</b>	<b>-95</b>	<b>-82</b>	<b>-96</b>	<b>-110</b>	<b>-753</b>

# THE BUSH TAX CUT MAKES THE BUDGET RESOLUTION UNWORKABLE

(CBO August assumptions)

CBO BASELINE	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	'02-'11
Unified Surplus	153	176	172	201	244	289	340	389	450	507	628	3,396
Social Security Surplus	162	174	190	204	224	242	262	283	303	323	345	2,550
Medicare Surplus	29	38	41	42	42	45	43	43	42	39	31	404
"Available" Surplus	-38	-36	-59	-45	-22	2	35	63	105	145	252	440
Medicare Surplus Spent	<b>-29</b>	<b>-36</b>	<b>-41</b>	<b>-42</b>	<b>-22</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-141</b>
Social Security Surplus Spent	<b>-9</b>	<b>0</b>	<b>-18</b>	<b>-3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-21</b>
BUDGET RESOLUTION	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	'02-'11
Non-Reconciled Tax Cuts	0	3	3	2	2	3	1	1	1	1	1	20
Medicare Rx and Home Health	0	0	1	11	22	29	40	46	49	54	61	314
Other Health	0	7	13	14	6	7	6	6	6	6	6	77
Agriculture	N.A.	7	8	8	8	7	7	6	6	7	7	74
Veterans	0	0	0	1	1	1	1	1	0	0	0	6
All Other (Budget Resolution)	4	8	3	-4	-2	-4	0	-0	-0	-0	-4	-3
Resulting Net Interest	0	1	2	4	6	9	12	16	20	25	30	124
"Available" Surplus – Bud. Res.	-42	-63	-89	-81	-66	-49	-33	-13	22	51	150	-172
Medicare Surplus Spent	<b>-29</b>	<b>-38</b>	<b>-41</b>	<b>-42</b>	<b>-42</b>	<b>-45</b>	<b>-33</b>	<b>-13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-254</b>
Social Security Surplus Spent	<b>-13</b>	<b>-25</b>	<b>-48</b>	<b>-39</b>	<b>-24</b>	<b>-4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-140</b>
BUDGET RESOLUTION OMISSIONS	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	'02-'11
Bush Defense Request	0	10	13	23	19	22	22	22	22	22	22	197
Average Historical Disasters	N.A.	2	4	5	6	6	6	6	6	7	7	55
Alternative Minimum Tax	0	0	0	0	2	12	22	30	39	48	54	208
Tax Extenders	0	1	4	5	9	12	14	16	18	21	21	122
Resulting Net Interest	0	0	1	3	5	7	11	15	21	27	34	123
Remaining "Available" Surplus	-42	-76	-111	-117	-107	-108	-108	-103	-85	-73	13	-876
Medicare Surplus Spent	<b>-29</b>	<b>-38</b>	<b>-41</b>	<b>-42</b>	<b>-42</b>	<b>-45</b>	<b>-43</b>	<b>-43</b>	<b>-42</b>	<b>-39</b>	<b>0</b>	<b>-375</b>
Social Security Surplus Spent	<b>-13</b>	<b>-38</b>	<b>-70</b>	<b>-75</b>	<b>-65</b>	<b>-63</b>	<b>-65</b>	<b>-60</b>	<b>-43</b>	<b>-34</b>	<b>0</b>	<b>-514</b>

## CBO CONFIRMS THAT THE "AVAILABLE" SURPLUS IS GONE — WITH NO MONEY FOR KEY INITIATIVES

(CBO August assumptions)

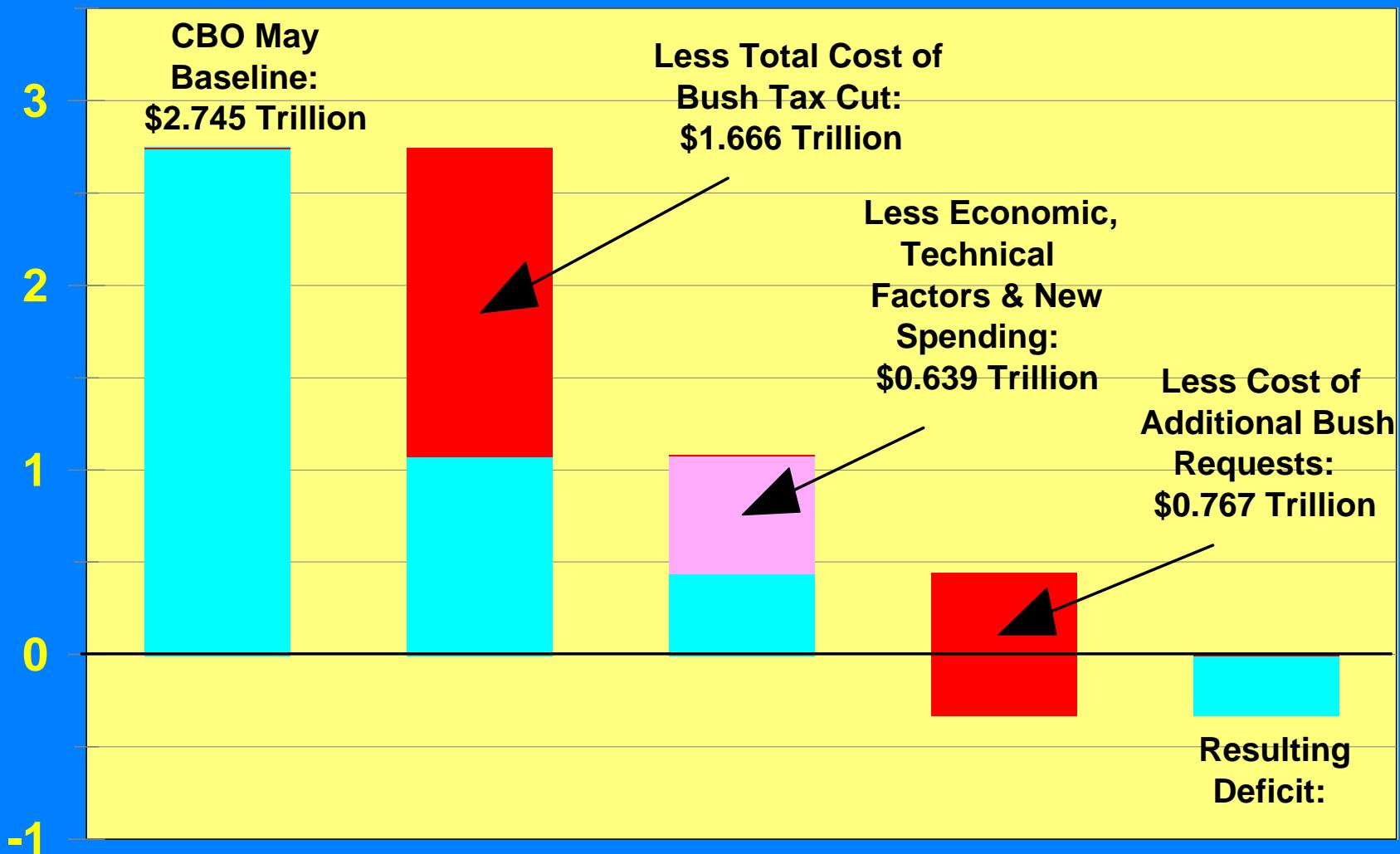
# THE SURPLUS IS GONE — WHERE DID IT GO?

(CBO August assumptions)

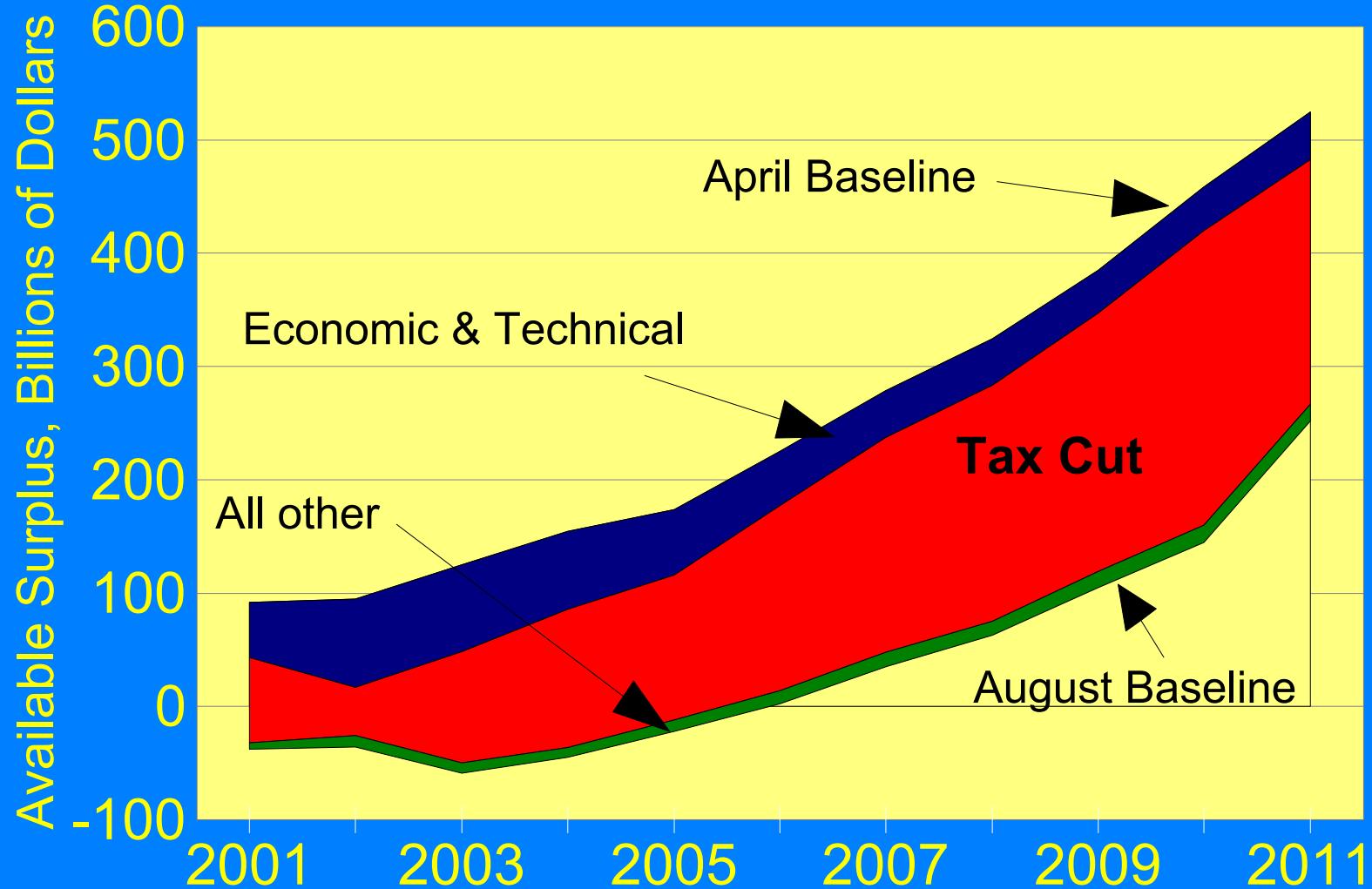
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	'02-'11
April Baseline Unified Surplus	275	304	353	400	437	508	578	641	718	806	883	5,629
Economic Adjustments	-25	-48	-54	-50	-40	-31	-23	-16	-9	-6	-5	-282
Technical Adjustments	-16	-27	-20	-18	-15	-13	-13	-16	-17	-18	-19	-176
Adjusted Baseline Unified Surplus	234	229	279	332	382	464	542	609	692	782	859	5,171
Social Security Surplus	162	174	190	204	224	242	262	283	303	323	345	2,550
Medicare Surplus	29	38	41	42	42	45	43	43	42	39	31	404
<b>Adjusted Available Surplus</b>	<b>43</b>	<b>17</b>	<b>48</b>	<b>86</b>	<b>116</b>	<b>177</b>	<b>237</b>	<b>283</b>	<b>347</b>	<b>420</b>	<b>483</b>	<b>2,215</b>
Enacted Tax Cut and Resulting Debt Service	76	42	99	122	128	163	189	209	228	260	216	1,656
All Other Enacted Policy	6	11	9	9	10	12	13	12	14	15	15	118
<b>Remaining Baseline "Available" Surplus</b>	<b>-38</b>	<b>-36</b>	<b>-59</b>	<b>-45</b>	<b>-22</b>	<b>2</b>	<b>35</b>	<b>63</b>	<b>105</b>	<b>145</b>	<b>252</b>	<b>440</b>

# Bush Budget Wipes Out Surplus

10-Yr Available Surplus, \$ Trillions



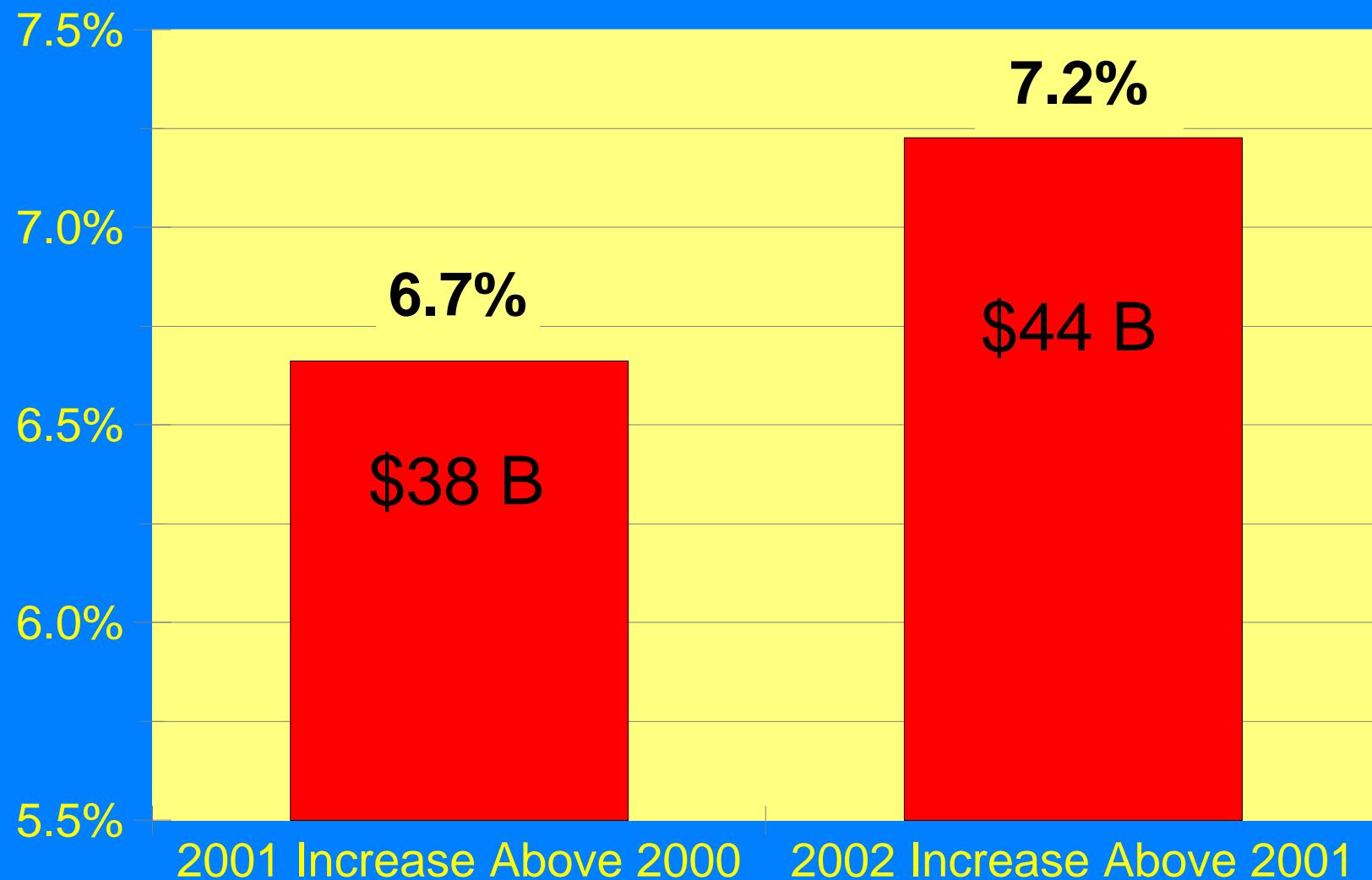
# The Problem Is The Tax Cut



# **OMB Estimates Rely on Gimmicks**

- 1. Use rosy economic assumptions.**
- 2. Exclude the President's full defense buildup after 2002.**
- 3. Allocate too little for a Medicare prescription drug benefit.**
- 4. Omit the cost of extending tax credits due to expire next year.**
- 5. Use an accounting gimmick with Social Security receipts to make 2001 look better.**
- 6. Rely on a two-week delay of \$33 billion in corporate tax payments to make 2002 look better.**
- 7. Assume corporations will pay \$5 billion in taxes earlier than required.**

# The Bush Budget Spends More: 2001 vs. 2002 Appropriations



Note: For consistency, advance appropriations and 2001 supplementals are excluded.

# Broken Republican Promises to Save Medicare and Social Security Surpluses

- **President George W. Bush** — “Every dollar of Social Security and Medicare tax revenue will be reserved for Social Security and Medicare.”  
(February 24, 2001; Radio Address to the Nation)
- **House Speaker Dennis Hastert** — “We are going to wall off Social Security trust funds and Medicare trust funds...And consequently, we pay down the public debt when we do that. So we are going to continue to do that. That’s in the parameters of our budget and we are not going to dip into that at all.” (March 2, 2001; *BNA Tax Reporter*)
- **House Majority Leader Richard Armey** — "We must understand that it is inviolate to intrude against either Social Security or Medicare and if that means forgoing or, as it were, paying for tax cuts, then we 'll do that."  
(July 11, 2001; *BNA Tax Reporter*)
- **Votes by House Republicans** — House Republicans have voted almost unanimously seven times since 1999 to establish lockboxes to protect both the Social Security and Medicare surpluses. They even voted to prohibit the government from displaying the budget surplus using Social Security Trust Fund money.
- **Votes by Senate Republicans** — Senate Republicans have voted almost unanimously twice over the past two years to establish lockboxes protecting the Social Security and Medicare surpluses.